

Message Text

UNCLASSIFIED

PAGE 01 LONDON 12864 01 OF 02 021945Z

51

ACTION FRB-02

INFO OCT-01 EUR-25 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 L-03 H-03

PA-04 PRS-01 USIA-15 DRC-01 /180 W

----- 017745

R 021858Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5317

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

TREASURY DEPT WASHDC

UNCLAS SECTION 01 OF 02 LONDON 12864

DEPARTMENT FOR FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING NOVEMBER 2

BEGIN SUMMARY: THE POUND WAS QUITE STABLE THIS WEEK,

TRADING AROUND \$2.43-1/2 AGAINST THE DOLLAR. IT CLOSED

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 12864 01 OF 02 021945Z

ON NOVEMBER 1 AT \$2.4350, DOWN 80 POINTS FROM LAST

THURSDAY'S CLOSE. THE TRADE-WEIGHTED DEVALUATION OF STERLING NARROWED AGAINST DECEMBER 1971 RATES ALL WEEK, REACHING 18.45 PERCENT ON THURSDAY (NOVEMBER 1). THE GOLD PRICE MOVED GENERALLY DOWNWARD, CLOSING AT \$97.25 ON THURSDAY, COMPARED TO \$100.25 A WEEK AGO. ON OCTOBER 30, THE GOVERNMENT PUBLISHED ITS WHITE PAPER ON STAGE 3 OF ITS PRICES AND INCOMES PROGRAM WITH STAGE 3 COMING INTO EFFECT FOR PRICES AND DIVIDENDS NOVEMBER 1 AND FOR PAY, NOVEMBER 7. THE GOVERNMENT HAS DECIDED TO PUSH FORWARD LEGISLATION ON THE TAX-CREDIT SCHEME TO 1974. CURRENT SURVEYS SHOW CONSUMER CONFIDENCE UP AND THE GENERAL ECONOMIC OUTLOOK AS BUOYANT. THE FINANCE HOUSE ASSOCIATION BASE RATE DROPPED 1/2 PERCENT TO 13-1/2 PERCENT. END SUMMARY

1. THE POUND MOVED WITHIN VERY NARROW MARGINS THIS WEEK IN WHAT WAS DESCRIBED AS A DULL MARKET. THE HIGH FOR THE WEEK WAS \$2.4390 (OCT. 31) AND THE LOW WAS \$2.4250 (OCTOBER 29). AGAINST MOST EUROPEAN CURRENCIES STERLING STRENGTHENED SOMEWHAT WITH THE TRADE-WEIGHTED DEVALUATION NARROWING FROM 19.18 PERCENT LAST THURSDAY TO 18.45 PERCENT THIS THURSDAY (NOVEMBER 1). GOLD MOVED STEADILY DOWNWARD REACHING \$97.50 ON TUESDAY, RISING SLIGHTLY TO \$98.25 ON WEDNESDAY AND THEN FALLING TO \$97.25 ON THURSDAY, DOWN \$3.00 FROM LAST THURSDAY'S CLOSE.

2. THE GOVERNMENT'S WHITE PAPER ON STAGE 3 WAS PUBLISHED ON OCTOBER 30, AND REMAINS RELATIVELY UNCHANGED FROM THE GREEN PAPER PUBLISHED ON OCTOBER 8. INDUSTRY DID WIN SOME CONCESSIONS. DETAILS ON THE GREEN PAPER AND SUBSEQUENT CHANGES CONTAINED IN THE WHITE PAPER ARE BEING SENT BY AIRGRAM.

3. IN THE QUEEN'S SPEECH, OPENING THE CURRENT SESSION OF PARLIAMENT, THE GOVERNMENT HAS DECIDED TO INTRODUCE LEGISLATION NECESSARY TO IMPLEMENT A TAX-CREDIT SCHEME IN 1974 RATHER THAN 1975. GOVERNMENT MINISTERS BELIEVE THAT INTRODUCTION OF THE TAX-CREDIT LEGISLATION NOW, SETTING OUT THE FRAMEWORK FOR THE NEW TAX SYSTEM WHICH WILL COME INTO FORCE IN 1978, WILL BE USEFUL IN ANY UPCOMING UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 12864 01 OF 02 021945Z

ELECTION CAMPAIGN. DETAILS OF THE SCHEME ARE CONTAINED IN A-1589, DATED OCTOBER 27, 1972.

4. THERE HAS BEEN A FURTHER SMALL IMPROVEMENT IN CONSUMER CONFIDENCE IN OCTOBER AS REPORTED BY THE BRITISH MARKET RESEARCH BUREAU. THERE HAS ALSO BEEN A SHARP UPTURN IN THE NUMBER OF PEOPLE WHO BELIEVE THAT THE PRESENT MOMENT IS A GOOD TIME TO BUY CONSUMER DURABLES. THE LATEST CBI

INDUSTRIAL TRENDS SURVEY SHOWS A BUOYANT PICTURE OF PRODUCTION, ORDERS, EMPLOYMENT AND INVESTMENT. THE MAIN CONCERN IS THAT SHORTAGES OF SKILLED AND UNSKILLED LABOR AS WELL AS MATERIALS OR COMPONENTS ARE AN INCREASING CONSTRAINT ON OUTPUT. CBI LEADERS CONTINUE TO ARGUE AGAINST ANY ACTION ON THE PART OF THE GOVERNMENT TO SLOW THE ECONOMY SINCE THEY FEAR AN OVERREACTION TO ANY "STOP" TYPE MEASURE. STAGE 3 PROPOSALS APPEAR TO HAVE LITTLE IMPACT ON INDUSTRIAL CONFIDENCE.

5. THE RECENT DOWNWARD TREND IN INTER-BANK INTEREST RATES WAS REFLECTED THIS WEEK IN A REDUCTION OF 1/2 PERCENT TO 13-1/2 PERCENT IN THE FINANCE HOUSES ASSOCIATION BASE RATE. THIS IS THE FIRST DROP IN THE FHA BASE RATE SINCE

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 12864 02 OF 02 021943Z

51

ACTION FRB-02

INFO OCT-01 EUR-25 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 L-03 H-03

PA-04 PRS-01 USIA-15 DRC-01 /180 W

----- 017752

R 021858Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5318

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDOC WASHDC
TREASURY DEPT WASHDC

UNCLAS SECTION 02 OF 02 LONDON 12864

DEPT FOR FRB

AUGUST, AND FOLLOWS THE SHARP INCREASE OF 2 PERCENT TO
14 PERCENT A MONTH AGO.

6. THE FORWARD DISCOUNT ON STERLING NARROWED TOWARD THE
END OF THE WEEK.

	10/25	11/1	CHANGE
1 MONTH	0.77	0.75	DOWN 0.02

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 12864 02 OF 02 021943Z

3 MONTHS	2.41	2.40	DOWN 0.01
6 MONTHS	4.83-1/2	4.76	DOWN 0.07-1/2

(ALL FIGURES IN CENTS)

7. EURO-DOLLAR RATES AT ONE AND THREE MONTHS MOVED
GENERALLY DOWNWARD UNTIL WEDNESDAY. AT SIX MONTHS THEY
MOVED UPWARD ALL WEEK.

	10/25	11/1	CHANGE
1 MONTH	9-13/16	9-3/8	DOWN 7/16
3 MONTHS	9	9-3/8	UP 3/8
6 MONTHS	9	9-3/8	UP 3/8

8. LOCAL AUTHORITY DEPOSIT RATES GENERALLY MOVED DOWN-
WARD.

	10/25	11/1	CHANGE
1 MONTH	13-1/4	12-3/4	DOWN 1/2
3 MONTHS	12-15/16	12-3/4	DOWN 3/16
6 MONTHS	13-3/16	12-7/8	DOWN 5/16

9. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 11-1/4
PERCENT ON NOVEMBER 2.

ANNENBERG

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 02 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LONDON12864
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731159/aaaabrbj.tel
Line Count: 214
Locator: TEXT ON-LINE
Office: ACTION FRB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08-Aug-2001 by maustmc>; APPROVED <23-Aug-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS - WEEK ENDING NOVEMBER 2 BEGIN SUMMARY: THE POUND WAS QUITE STABLE THIS WEEK
TAGS: ECON, UK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005